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SENSITIVE

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TAGS: [ETRD](#) [ECIN](#) [PGOV](#) [BR](#) [WTRO](#) [FTAA](#)

SUBJECT: FTAA/WTO CONTINUITY DESPITE ASCENSION OF REGIONAL INTEGRATION WITHIN ITAMARATY

1. SENSITIVE BUT UNCLASSIFIED.

2. Summary. Moving quickly to bring his ministry's institutions in line with the new government's focus on South American integration, and in particular, a reinvigoration of Mercosul, Foreign Minister Amorim has announced the creation of a new South America Under Secretariat. One GOB official described creation of the new under secretariat, as indicative of a "watershed" in GOB policy concerning Mercosul. Despite the reorganization, there is a sense of continuity regarding FTAA and WTO trade policy amongst our key trade contacts within Itamaraty. While some policy changes are inevitable, they are expected to be more of emphasis than of wholesale change of direction. This is largely due to the retention of Ambassador Clodoaldo Huguene as the main Itamaraty architect of FTAA and WTO trade policy. End Summary.

New Under Secretariat for South America

3. The following details are chiefly based on Trade Officer's recent conversations with Ambassadors Simas Magalhaes and Valdemar Leao. Working within a rigid structure that limits the number of under secretariats in Itamaraty to four, Foreign Minister Amorim has proposed creation of a new Under Secretariat for South America to be headed by Brazil's

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Ambassador to Mexico, Luiz Felipe Macedo Soares. In a departure from past practice, the new Under Secretariat will focus all political and economic activity associated with South American, and particularly Mercosul, integration under the direction of one person. To this end, the Directorate for Latin American Integration, previously under Ambassador Huguene's Under Secretariat for Integration and Economic and Trade Affairs, will be shifted to the new under secretariat, as will all relevant offices from the Under Secretariat for Bilateral Political Affairs. In addition to internal Mercosul economic matters, it is expected that the new under secretariat will be responsible for "bilateral" Mercosul

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trade negotiations with countries or country groups within Latin America, e.g. with the Andean Community, Central America, etc. Ambassador Valdemar Leao of Itamaraty's Economic Department told us on January 23 that the placement of Mercosul-Mexican relations has not been finalized. However, FTAA negotiations will definitely remain with U/S Huguene.

4. Itamaraty must receive approval from the GOB Ministry of Planning before the reorganization becomes official. This approval involves a cumbersome bureaucratic exercise as Itamaraty currently is by law not allowed to exceed four under secretariats and must develop a plan consistent with other limits on the number and level of certain positions. As a result, all political affairs, multilateral as well as bilateral with countries outside the region, are expected to be merged into one Under Secretariat for Political Affairs. Leao as good as said that he and other Itamaraty veterans saw this portfolio as being an all but impossible burden for one individual. The implication was that it would cause de facto shifts in responsibilities within Itamaraty unless the Ministry gains future permission to expand to a fifth under secretariat.

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FTAA and Mercosul-EU Remain Key

5. U/S Huguene reportedly supported the reorganization, which will allow his trimmed down Under Secretariat of Economic and Trade Affairs to focus on what are Brazil's most important trade negotiations -- the FTAA and Mercosul-EU negotiations. To expand the depth of Itamaraty's expertise for these negotiations, Huguene has created an additional bureaucratic layer by forming a new Department of International Negotiations. The new department, to be headed by Ambassador Carlos Alberto Simas Magalhaes, will have only two divisions: one will be the existing FTAA Coordinating Office (COALCA), the other a new division for Mercosul

extra-hemisphere trade negotiations, most importantly with the EU. WTO negotiations also remain with Hugueneu, whose Economic Department houses the technical trade offices that conduct both the WTO and FTAA negotiations.

16. According to Ambassador Leao, the Economic Department may also experience some lesser changes. For instance, under consideration is the placement of the office responsible for trade disputes, which currently reports directly to Hugueneu, under the Economic Department. In addition, Leao's Division of Intellectual Property and New Themes might move to the Department for Scientific and Technical Cooperation, an existing department within Hugueneu's Under Secretariat, which might also, at least temporarily, absorb the current Department for Commercial Promotion.

#### The New Trade Team

17. Ambassador Simas, who spent time in Geneva with Foreign Minister Amorim, told us on January 22 that he plans to focus more on the substance of FTAA negotiations than on Co-Chair issues. He will also now assume the position as head of Brazil's FTAA delegation, opposite AUSTR Regina Vargo, as Hugueneu assumes a Co-Chair position alongside DUSTR Allgeier. Although Ambassador Simas did not have direct responsibility for FTAA issues in his former position as the President's Special Mercosul Representative, he followed FTAA issues since Mercosul has been negotiating as a block. Working for him on Co-Chair issues as the new head of the COALCA office is Tovar da Silva Nunes, chief of staff for the former Minister of MDIC, Ambassador Sergio Amaral. The COALCA position was made vacant with the promotion of Antonio Simoes to Minister Amorim's cabinet as Economic Advisor immediately following the Foreign Minister's inauguration. Da Silva Nunes is well connected politically, having served in positions supporting his successful mentor Ambassador Amaral for the past decade, and with the private sector from his stint at MDIC. Simas is reportedly going to draw from staff in Geneva to fill the position as head of the Mercosul trade negotiation division.

18. As an additional note, Maria Nazareth Farani Azevedo, who was tapped to work as an advisor to Foreign Minister Amorim on Political and Multilateral Affairs, will be replaced as head of the Market Access Division in the Economic Department by Luis Antonio Balduino, who is transferring from an assignment in the World Bank.

19. Comment: The new government is moving quickly to establish the institutional structures that will better enable it to act on its clearly stated political and economic priority of regional integration. Despite some lingering skepticism among the public and within official circles regarding initiatives to "once again" reinvigorate Mercosul, the seriousness with which this administration is moving in accord with this aim is striking. Ambassador Leao expressed surprise at the level of commitment within the new government and described the ministry's reorganization as indicative of a "watershed" in GOB policy concerning Mercosul.

110. Despite a clear emphasis being placed on Mercosul and wider regional integration, the importance of FTAA negotiations does not appear to have diminished for the GOB as demonstrated by actions to refocus and strengthen Hugueneu's Under Secretariat for Economic and Trade Affairs. Post would expect the retention of FTAA and WTO negotiating responsibilities under the direction of Hugueneu to portend not only continuity of GOB positions but also of the overall commitment of the GOB to these negotiations.

111. Ambassador Hugueneu, who cut his trade teeth during the Tokyo Round, enjoys exceptional credibility within the new government and is well respected within international trade circles. He has been a reasonable and responsive interlocutor with the Mission and other USG officials. With a trimmed down Under Secretariat, Hugueneu should be able to focus more attention on the FTAA and WTO negotiations. According to Itamaraty staff, Hugueneu has successfully lined up experienced trade officials/negotiators that he can increasingly rely on as the FTAA and WTO negotiations enter more intensive phases.

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